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European Review

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13 March 1985

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European Review

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Prime Minister Thatcher won her battle with the striking coal miners and their Marxist leader Arthur Scargill when on 3 March the union voted to end the nearly yearlong strike. Although the miners failed to disrupt the economy significantly, the cost was substantial in terms of lost foreign exchange earnings and a higher budget deficit. The end of the strike is not the end of Thatcher's problems, either with the miners or with the coal industry. She is also likely to encounter renewed pressure to improve Britain's competitiveness.

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Western Europe: Attitudes Toward the Olympics

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The Moscow and Los Angeles Olympic boycotts have revived public speculation concerning a permanent site in Greece for the Olympic Games. Given the prestige attached to hosting the Games, however, government and national Olympic committee support is questionable. The International Olympic Committee, which has considered this question often, seems no more favorably disposed toward a permanent site than in the past.

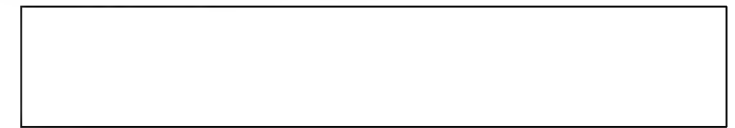
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Economic News in Brief

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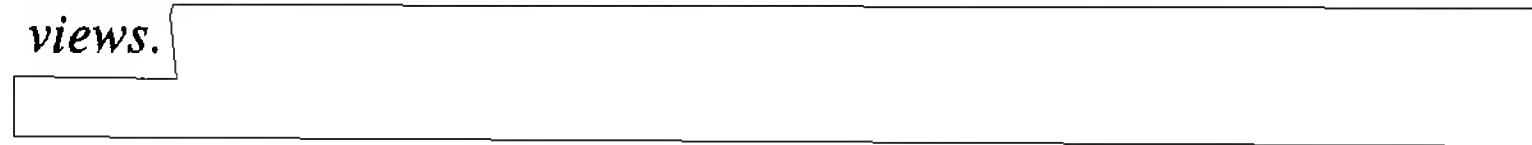


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Looking Ahead

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Some articles are preliminary views of a subject or speculative, but the contents normally will be coordinated as appropriate with other offices within CIA. Occasionally an article will represent the views of a single analyst; these items will be designated as uncoordinated views.



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Malta

Nationalists Challenge Government

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Malta's opposition Nationalist Party, pursuing its strategy of attacking government policy through the courts, has finally succeeded in initiating a court case that will test the constitutionality of the controversial Foreign Interference Act (FIA).¹ The Nationalists persuaded Italian Christian Democratic Youth leader Massimo Gorla to speak at a political rally on 23 February. Gorla was arrested, but permitted to leave Malta after agreeing to return to face a charge of addressing a public meeting without permission. 

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The Nationalists hope to gain power of attorney for Gorla and show that the FIA violates the constitutional right to freedom of expression. Their timing is good because a delegation from the Council of Europe (COE) plans to visit Malta this month to investigate the human rights situation and the FIA in particular. If the government drops the case or loses it, the FIA's effectiveness will be undermined. Should the courts find Gorla guilty, the Nationalists could compound the embarrassment by accusing the government of interfering in the judicial process. Prime Minister Bonnici has predictably charged the Nationalists with provocation and with exploiting Gorla for political purposes; he has also implied that the COE should not interfere now since the case is presently "sub judice." 

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Hungary-USSR

Moscow Weighs In Against Nationalism

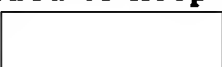
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Budapest has been publicly warned by Moscow—albeit indirectly—to stop quarreling with Romania and Czechoslovakia over the treatment of their sizable Hungarian minorities. The January issue of a leading Soviet journal *Modern and Contemporary History* inveighed against "bourgeois nationalism" and "remnants of chauvinism" in Hungary but softened the criticism by saying that the party is trying to solve the problem. In fact, Budapest has traded polemics with Bucharest over the minority issue since last fall. Hungarian-Czechoslovak relations also have been troubled for months by Prague's imprisonment of a Hungarian minority activist, whose release Budapest has reportedly sought. 

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The Hungarians are likely to tone down their media rhetoric temporarily in order to avoid further Soviet displeasure. The problem probably will continue to fester, however, because the Hungarian minorities are likely to continue to face prejudice and hardline official policies. Moreover, the Hungarian regime has been courting national feeling as a source of popular approval and is likely to remain sensitive to public opinion on this emotional issue. 

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¹ The 1982 bill prohibits any "foreign activity" in Malta without permission of the Foreign Affairs Ministry; it is intended to keep out of Malta any journalists or politicians who disagree with government policy. 

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Articles

United Kingdom: Dealing With the Miners' Strike

Prime Minister Thatcher won her battle with the striking coal miners and their Marxist leader Arthur Scargill when on 3 March the union voted to end the nearly yearlong strike. Although the miners failed to disrupt the economy significantly, the cost was substantial in terms of lost foreign exchange earnings and a higher budget deficit. The end of the strike is not the end of Thatcher's problems, either with the miners or with the coal industry. She is also likely to encounter renewed pressure to make Britain more competitive.

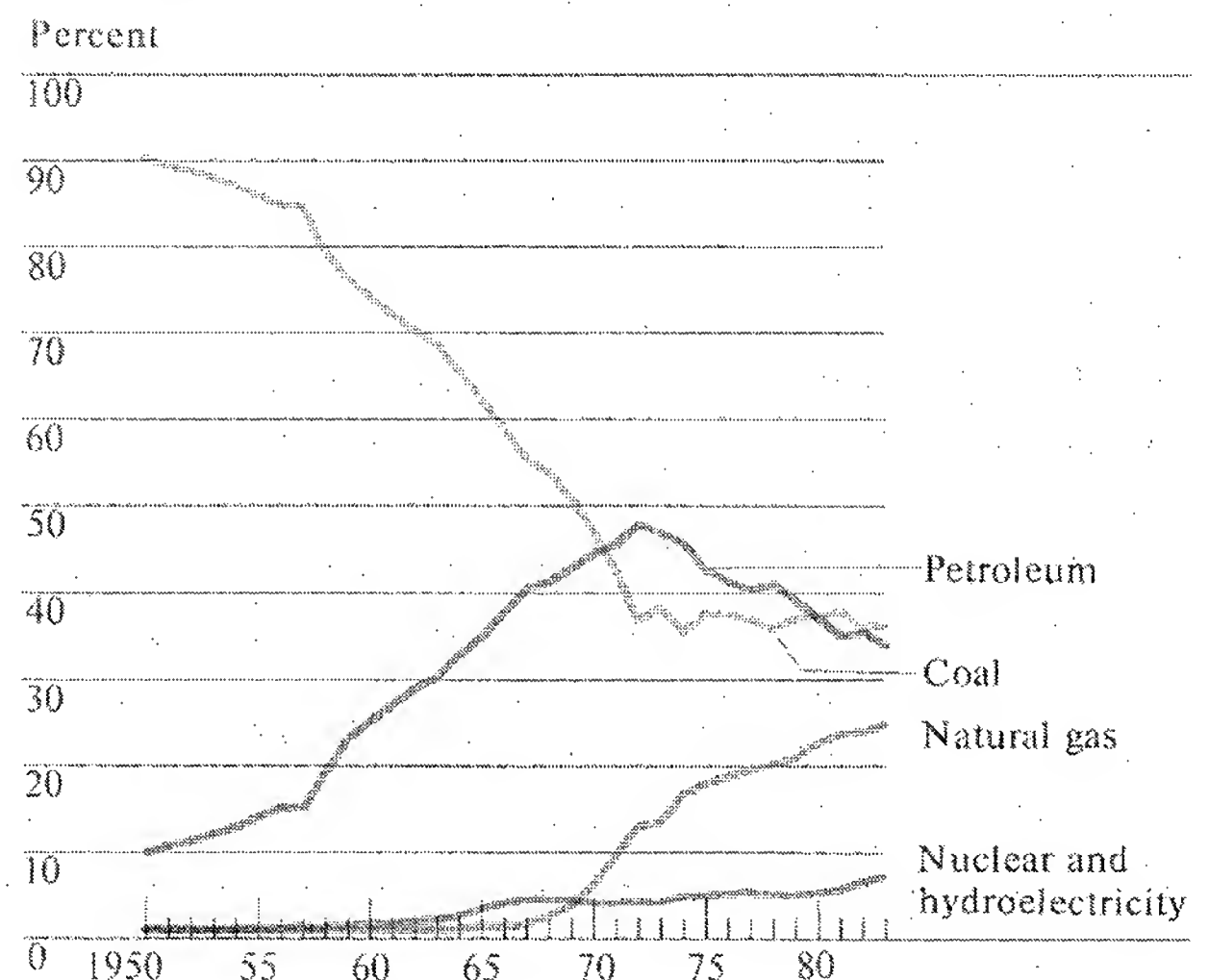
Origins of the Miners' Strike

Elected on a pledge to boost industrial efficiency and end Britain's long economic slide, the Thatcher government tried to restructure the inefficient coal industry as early as 1981 but abandoned the attempt—apparently believing that it lacked enough public support to tackle strenuous opposition by the National Union of Mineworkers (NUM). The coal industry's increasing financial deficits and production surpluses have made the need for restructuring even more clear. Over the past five years, losses by the National Coal Board (NCB) have totaled \$3.5 billion, of which \$3.3 billion was made up by grants from the government.

In 1982 Thatcher chose as Chairman of the NCB Ian MacGregor, who had implemented a sweeping rationalization of British Steel Corporation (BSC) during 1979-82. MacGregor immediately laid out a plan to close 20 of the most unproductive coal pits and eliminate 20,000 jobs over 12 months. Some of MacGregor's critics, however, questioned his decision to announce all the pit closures at once.

Arthur Scargill, the leader of the NUM, took the position that no mine should be closed until exhausted

United Kingdom: Shares of Primary Energy Consumption, 1950-83



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of coal. In response to MacGregor's plan, he first orchestrated an overtime ban in November 1983 and then called a nationwide strike on 12 March 1984. Scargill refused to hold a strike vote, however, probably because the miners had twice before voted against a walkout. Partly for this reason, about 25 percent of the miners ignored his call, saying the strike was illegal.

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The National Union of Mineworkers and Arthur Scargill

Although its membership has declined dramatically—there are now fewer than 190,000 coal miners, as compared with more than 1 million in the 1920s and 1930s—the NUM retains its reputation as one of the most militant unions in a country noted for the militancy of its labor movement. The NUM's reputation was earned by its aggressive participation in several major British strikes over more than half a century. It sparked the general strike of 1926 and continued to hold out for nine months after the other unions had settled. In 1973-74 the coal miners staged a strike that brought the entire economy to a standstill and precipitated the defeat of the Conservative government of Prime Minister Heath. The NUM's aggressive stance has frequently won wage increases far exceeding those of other unions.

In Arthur Scargill, the miners' union has found a leader more than worthy of its militant tradition. Scargill ascended through the ranks and became NUM president in 1982. A charismatic leader, he is perhaps best known for his radical political and economic views. Scargill is viscerally opposed to virtually every facet of Prime Minister Thatcher's free market economic policies.

Whatever his motives in calling the strike, Scargill demonstrated leadership by keeping it going for nearly a year. Although there was a significant drift back to work, almost 50 percent of the workers—about 93,000—stuck with him for almost a year with no strike pay and little hope of an early settlement. Moreover, the NUM received only lukewarm support from other unions.

The Government's Response

The government moved quickly to reduce the impact of the strike by greatly increasing the use of oil-fired power stations and by boosting coal imports. Meanwhile, Thatcher took a backseat in MacGregor's negotiations with Scargill, probably in hopes of keeping the issue out of the political arena. The Coal Board, in turn, refrained from using the powerful new

United Kingdom: Energy Status

*Million tons of coal
or coal equivalent*

	Mar-Nov 1983	Mar-Nov 1984	Percent Change
Coal balance			
Production	90.2	35.7	-60
Consumption	82.3	51.2	-38
Exports	5.1	0.9	-82
Imports	3.7	7.2	94

		Nov 1983	Nov 1984
Coal stocks			
Total	59.8	37.8	-37
At power stations	33.3	15.3	-54
Other	26.5	22.5	-15

	Mar-Nov 1983	Mar-Nov 1984	Percent Change
Fuel used to generate electricity			
Total	72	72	0
Coal	56	32	-43
Oil	5	28	460
Other	11	12	9

labor laws for fear of solidifying the miners' cause. The court-ordered freeze of the union's funds came about after its own members brought suit under the new laws against an illegal nationwide strike.

The government made several efforts throughout the strike to lure miners back to work. For example, several thousand strikers went back to their jobs before Christmas to receive special bonuses. The Coal Board offered strikers only token cash bonuses of up to \$106 if they returned to work by 11 March after evidently concluding that little more was needed to maintain the back-to-work momentum.

The Immediate Impact of the Strike

The strike has hurt the economy. We estimate that the foreign exchange cost—mostly in the form of

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forgone oil exports—was running at about a \$5 billion annual rate this winter. This, in turn, contributed to the fall of the pound over the past year. Lost tax revenue, police overtime, and the higher cost of burning oil in power stations added an estimated \$2.8 billion to the budget deficit. We believe the strike shaved about 1 percentage point off GNP growth.

Aside from lower steel production and railway shipments, the strike had very little effect on other industries or on consumers. They did not lack energy supplies, and taxes were not raised to offset the increase in the budget deficit. Even electricity users were not asked to pay for the higher cost of using oil—estimated at \$1.9 billion—although Cabinet ministers are considering a one-time 20-percent surcharge on electricity bills early this spring.

Despite the strike, London succeeded in bringing coal supply and demand back into balance:

- The power industry had slashed its use of coal by more than half by the end of last summer. Although it probably did not match this figure during the winter, when electricity demand is highest, an average reduction of close to 50 percent seems possible over the full year.
- Other industrial users reduced their coal consumption by about 30 percent.
- London also cut coal exports by 82 percent and boosted imports by 94 percent, bringing net imports up to almost 1 million tons a month by last fall.

After a rapid drawdown earlier in the year, coal stocks have stabilized at a comfortable level.

The economic impact of this strike is dramatically less than in 1973-74 when the miners' walkout put British industry on a three-day workweek:

- Nonstriking miners maintained a substantial level of output—about 40 percent of normal at the end of the strike, according to the Coal Board.
- As a result of the shift to coal-burning power stations over the last decade, the country had a large amount of idle oil-fired electricity-generating capacity.

- Because of the surplus production of the previous four years, coal stocks at the beginning of the strike were exceptionally high.

Outlook

Now that the strike is over, Thatcher will no longer be able to blame the strike or the unions for the country's political and economic woes. There will still be some residual problems with the miners in the next few months. The government has refused amnesty to miners fired during the strike for acts of violence, and the national union has vowed to continue its overtime ban until amnesty is secured. According to the US Embassy in London, however, such confrontation plays into the hands of those in the government who want major cuts in the coal industry.

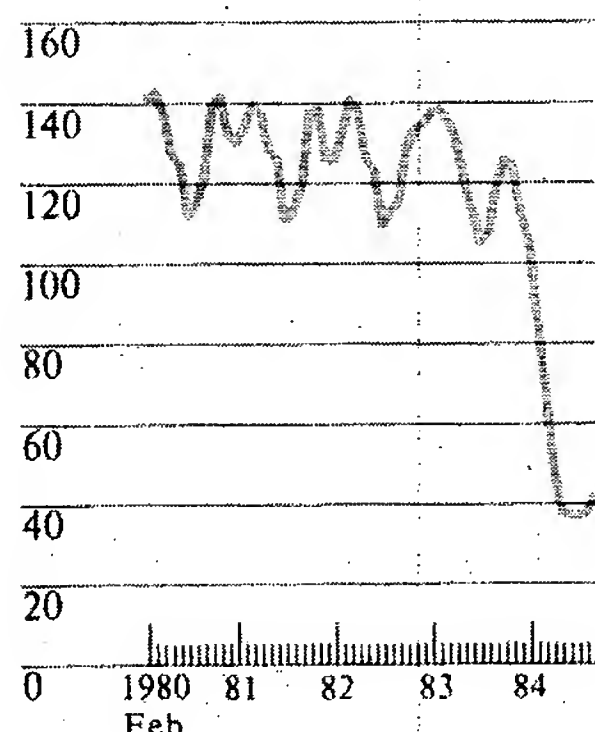
In addition, the end of the strike, so close to the presentation of the budget on 19 March, may have placed Thatcher in a difficult position by restoring hopes of promised tax cuts and increased government spending for social services. The Treasury no longer faces the uncertainty surrounding the strike's costs in its budget calculations, but, nonetheless, it has little room to maneuver in meeting ambitious targets for reducing the deficit. Higher welfare payments to miners' families, strike-related losses of state-owned British Steel and British Rail, in addition to continuing expenses for police presence at the mines, probably will continue to strain the government's coffers for some time.

Thatcher undoubtedly views the end of the yearlong miners' strike not only as a victory over that militant union, but also as a step toward reducing the power of all labor unions in Britain—which she sees as an essential ingredient to long-term growth. The successful outcome of the strike will be a spur to Thatcher to continue with industrial restructuring—perhaps in a more careful fashion than attempted in the coal industry—to make the British economy more competitive in world markets. It will also ease some political pressure on her as a result of the decline of the pound. The public undoubtedly views the Tories as having won a decisive victory over the miners, which, in the short term, is likely to boost Thatcher's

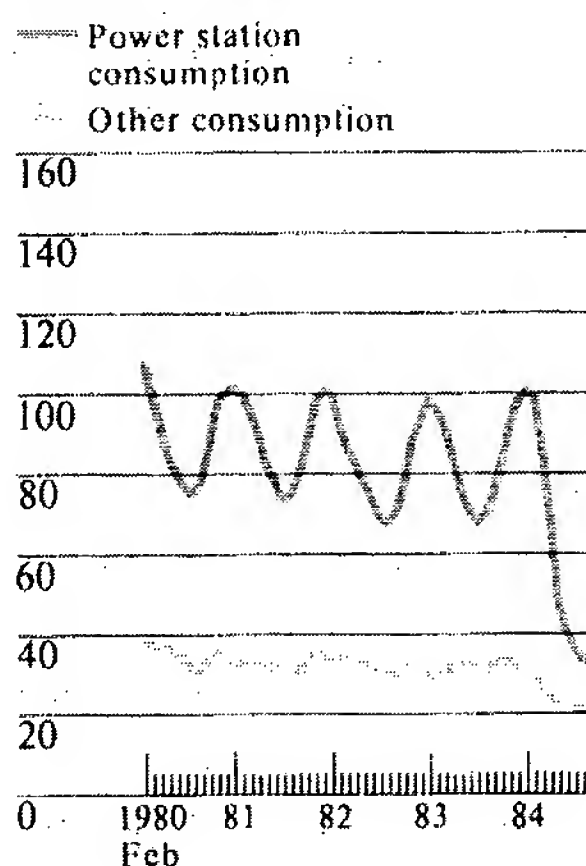
United Kingdom: Dealing With the Coal Strike, 1980-84

Million metric tons at an annual rate^a

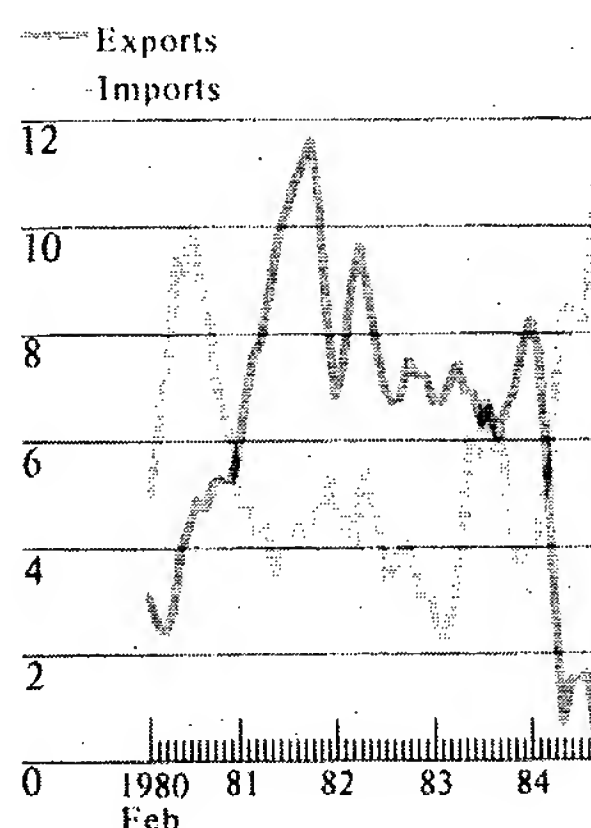
Faced with a sharp drop in coal production . . .



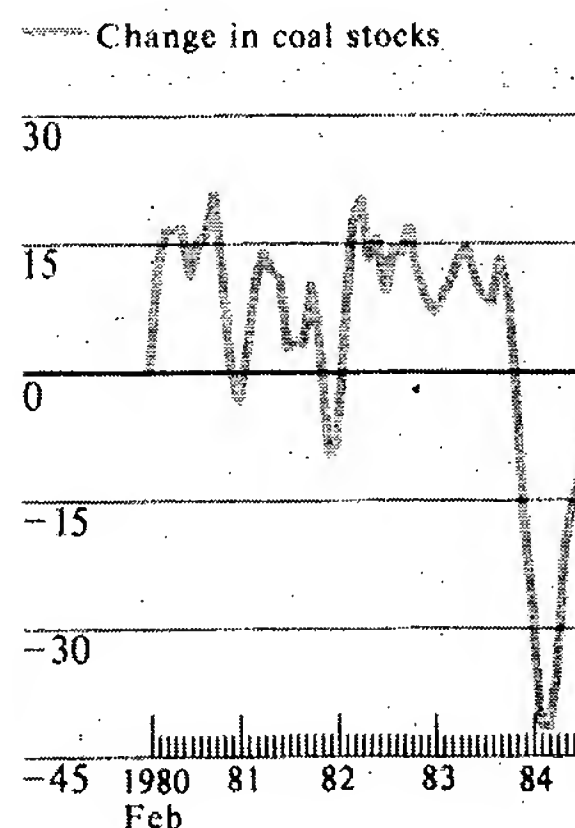
The United Kingdom has reduced consumption . . .



While boosting coal imports and cutting exports . . .



Bringing supply and demand back into balance.



^a Three-month moving average.

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popularity. According to the latest polls, the Tories are slightly behind the Labor Party, but this is unlikely to last.

Over the longer term, the government is likely to use its antiunion legislation to weaken the unions even further. Thatcher did not invoke the law against the miners to avoid making martyrs of them and thus gain the sympathy of other unions and the majority of the public that refused to support the strike. But, given the public's antiunion mood, we expect the government to resort to the law with more frequency in the future. According to recent polls, the public is in no mood for further confrontation, and Thatcher probably will take this message seriously—for a while.

As for Scargill, he is likely to be challenged as leader of the NUM since many miners are disillusioned after striking for a year without victory. He probably will survive the challenge; the miners still see Thatcher and the Tories as the main enemy and most believe that Scargill and their cause was right. More important, the hardliners control the union, and they

are unlikely to oust Scargill. Scargill currently is looking for a scapegoat for his disastrous defeat and has attacked the other trade unions, accusing them of standing on the sidelines while the government battered the union.

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Western Europe: Attitudes Toward the Olympics

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The Moscow and Los Angeles Olympic boycotts have revived public speculation concerning a permanent site in Greece for the Olympic Games. Given the prestige attached to hosting the Games, however, government and national Olympic committee support is questionable. The International Olympic Committee (IOC), which has considered this question often, seems no more favorably disposed toward a permanent site than in the past.

A Permanent Olympic Site?

US and Soviet boycotts, respectively, of the 1980 and 1984 Games—and Soviet Bloc threats against the 1988 Olympics in Seoul—have led some sportswriters and politicians to propose that the IOC establish a permanent site near ancient Olympia. Proponents criticize the disputes surrounding current site selection procedures and argue that a permanent site would help remove politics from the Olympics. They often claim that widespread public support exists for permanent facilities in Greece.

A June 1984 Gallup Poll of public attitudes in 19 countries demonstrated that, except for Greece, the United Kingdom, and the Netherlands, this may not be the case. The Greek and Turkish positions on the opposite end of this spectrum suggest that a permanent Greek Olympic site would present political problems relating to longstanding bilateral disputes. The Turks probably believe that Athens, as the permanent Olympic site, would permit the Greek Government to repeat previous efforts to contrast “Greek civilization” with alleged Turkish atrocities. The Greeks used the 1896 Athens Olympics (the first modern Olympic Games) to rally national feeling against Turkish control over Crete. Nationalism also was a major theme at the interim Games held in Athens in 1906. Since then the Greeks have periodically lobbied the IOC for a permanent award. Greek Government manipulation of other sporting events suggests that Athens would exploit the Olympics in other ways. For example, in October

Public Attitudes

Question: Which would you prefer for future Olympic Games—a permanent site in Greece or that the Olympic Games continue to move from country to country?

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	Continue To Move	Permanent Site	No Opinion
Turkey	95	2	3
South Korea	87	9	4
Uruguay	79	10	11
Brazil	79	12	9
France	66	23	11
Japan	66	31	3
Canada	65	26	9
Italy	62	27	11
Austria	61	25	14
West Germany	61	37	2
Argentina	55	26	19
United States	54	37	9
Australia	53	41	6
Norway	52	34	14
Switzerland	50	33	17
Netherlands	45	45	10
Belgium	42	37	21
United Kingdom	41	52	7
Greece	8	91	1

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1984 the Papandreou government renamed the annual Athens marathon race in honor of Gregory Lambrakis, described by the US Embassy in Athens as a “far-left, anti-US peace leader” who was assassinated by rightwing thugs in 1964.

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Strong French and Italian public opposition to a permanent site may reflect those governments' stated interest in hosting the Olympics in the near future. Paris is a main rival to Athens in the campaign for the 1996 Olympics. If this bid fails, the French are likely to press to host the games scheduled for the 100th anniversary of the first time Paris served as host to the Olympics. Rome held the Games in 1960, and the Italian Government periodically stresses its virtue as a second "classical" site for international sport. Spanish public opinion, not surveyed in the Gallup Poll, may also be negatively disposed toward a permanent Greek Olympic site, since Spain hopes to bring the 1992 Olympics to Barcelona. [REDACTED]

Strong British public support for a permanent site probably reflects the traditional claim that the United Kingdom is the birthplace of pristine, apolitical amateur sport. Other polls have demonstrated a widespread British feeling that the politics of selecting an Olympic site undermines the purity of the Olympic Movement. Relatively strong support by the Dutch public for a permanent site contrasts sharply with the interest expressed by government and national Olympic officials to bring the Games back to the Netherlands (Amsterdam hosted the Olympics in 1928). [REDACTED]

The Olympic View

The IOC, a polyglot organization of princes, bankers, and Communist bureaucrats, has rejected many earlier proposals for a permanent site in Greece. Members have always been repelled by the ways governments exploit the political content of international sport. Nevertheless, they have also recognized that choosing among competing Olympic claimants is now the primary reason for the IOC's existence¹ because national Olympic committees and the international federations that control individual sports long ago appropriated powers over team selection, rulemaking, and even over the definition of "amateur." [REDACTED]

¹ Sites are chosen six years in advance of an Olympiad in order to give the host time to prepare for what has become a complex political and athletic festival. The winter Olympics has been awarded separately from the summer Games since World War II. [REDACTED]

The committee has thus far shown no inclination to accept the latest Greek appeal. Indeed, Juan Antonio Samaranch, its current president, has followed the example set by his predecessor, Lord Killanin, and publicly admitted that politics has a permanent place in Olympic sport. Monique Berlioux—the committee's executive director and widely expected to become its first female member—has indicated that members have put consideration of a permanent site on the back burner until they award the 1992 winter and summer Games next year. For now it seems doubtful that members would be satisfied to sacrifice the attention and favors derived from their current role in site selection for the sake of permanent Olympic facilities. [REDACTED]

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Economic News in Brief

Western Europe

Spain: Falling domestic demand prompted a 3.3-percentage-point increase in the unemployment rate last year to 21.7 percent . . . a 5.5-percent decrease in real unit labor costs in 1984, increasing profits in the export sector, slower inflation, and the Socialist trade union's agreement to reduce wage demands should help stimulate investment and job creation this year . . . not much improvement in the jobless rate likely, however, because of demographic trends.

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Eastern Europe

Bulgaria: Severe winter weather led to numerous school and factory closings, cutbacks in rail service, and blackouts . . . Sofia has responded by re-creating the Ministry of Power Supply and stressing conservation. . . . The regime probably will place a higher priority on completing new power plants, developing domestic energy sources, and encouraging energy efficiency.

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Hungary: Budapest is considering loan swaps to earn hard currency . . . would buy *Polish debt obligations* at hefty discount in return for new Western bank loans to Hungary . . . believes political ties give it an edge collecting interest from Poland.

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Looking Ahead

March
Spain

Annual anti-NATO demonstration at Torrejon Air Base near Madrid on 24 March may be biggest turnout to date . . . no indication of specific activities directed against US/NATO facilities . . . peace groups hope to establish strong movement similar to those in West Germany and England.

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April
Portugal

Eleventh anniversary of *revolution of 25 April* 1974 is likely to pass with little fanfare . . . Communists may organize marches or rallies to criticize government's austerity program and pro-US foreign policy . . . President Eanes may also use occasion to take swipes at Prime Minister Soares.

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Italy

Campaign for *local elections on 12 May* is in full swing . . . Communists are within striking distance of becoming plurality party . . . outcome could trigger a government crisis.

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Belgium

Most Belgian political parties will attempt to use the *visit by Pope John Paul II on 18 May* to boost their electoral chances . . . religion, like language, is an important factor in Belgian politics . . . ruling Social Christians likely to be main beneficiaries.

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